

Message from the Secretary

The events of recent months have highlighted the importance of the U.S. Department of Health and Human Services (HHS) to every American. The work of HHS has never been more significant or visible than it is today, and we will continue to play a vital role in protecting the lives and the health of every citizen. I am very proud of the work done by this Department, and I'm pleased to present a summary of our accomplishments in this Accountability Report.

In Fiscal Year (FY) 2001, HHS was accountable for over \$426 billion, as measured in net outlays. Throughout the year, we continued to serve the American public through our many crucial programs, such as Medicare and Medicaid (our two largest programs accounting for almost \$348 billion in net outlays), medical research, community health services, food and drug safety, and child welfare and child support enforcement.

At a time of national crisis, our programs provided assistance to the search, rescue, and recovery efforts at the World Trade Center and the Pentagon, and we assisted the families affected by the tragic events of September 11, 2001. HHS had the lead public health responsibility in responding to the bioterrorism acts of recent months.

During FY 2001, HHS also began laying the groundwork for reauthorization of welfare reform legislation impacting our Temporary Assistance to Needy Families (TANF) program, our third largest program accounting for almost \$19 billion in net outlays. Working with the states, we helped expand access to health care for up to 1.5 million low-income Americans. We also initiated demonstration projects to develop technology to reduce medical errors and improve patient safety and care. These are only a few highlights out of a host of accomplishments, many of which are described in this report.

In the area of financial management, we achieved our third consecutive unqualified, or "clean" financial statement audit opinion. However, we face significant on-going challenges to improve the timeliness and reliability of our financial information for decision-making purposes, resolve our material weaknesses, and reduce the level of manual intervention needed to prepare financial reports and statements. In response to these challenges, we are developing a Unified Financial Management System (UFMS), a multi-year financial management effort. The new system will not only provide more timely financial information to our managers for decision making, but will also enable us to meet accelerated external reporting deadlines for Departmental financial statements.

This report also presents the financial health of Medicare's Hospital Insurance and Supplementary Medical Insurance Trust Funds separately, based on Financial Accounting Standards Advisory Board (FASAB) standards in effect at the time of the audit. Going forward, the Administration is developing a more comprehensive measure of Medicare's financial position that will analyze Medicare as a whole.

As required by the Reports Consolidation Act of 2000, it is my assertion that the financial information contained in this report is complete and reliable, based upon data contained in the Department's and contractors' financial information systems, and is reported in conformance with generally accepted accounting principles (GAAP). Further, it has been deemed to "fairly represent" the financial condition and results of operations of the Department by our Office of Inspector General. Regarding program performance information, the FY 2003 Performance Plans and Reports of the HHS components will include descriptions of the means HHS programs use to verify and validate performance data and any related data issues, including the completeness and reliability of the data. Where required, the programs have included discussions of any actions planned to improve the completeness and reliability of data.

This report includes information that satisfies the reporting requirements for the Federal Managers' Financial Integrity Act (FMFIA) of 1982. The material weaknesses (as defined by FMFIA) we have identified at the end of FY 2001 are presented in Appendix F of this report. HHS' management controls are in compliance with FMFIA and provide reasonable assurance that the Department's resources are protected from fraud, abuse, and mismanagement, except for specific material weaknesses cited in this report that are being addressed in accordance with their respective corrective action plans. Our financial management systems and reporting processes, as well as our Medicare contractor systems, have internal control weaknesses. As a result, the Department's financial management systems are not in compliance with FMFIA. Our systems implementation projects—including a new Medicare financial system—provide for long term achievement of compliance with FMFIA.

I welcome your interest in HHS and its programs. In these challenging and uncertain times, taxpayers can be assured that HHS stands ready to protect the health and well being of all Americans, and will provide exemplary stewardship over the hundreds of billions of dollars entrusted to us.



A handwritten signature in cursive script that reads "Tommy G. Thompson".

Tommy G. Thompson
February, 2002